Greater Mekong Subregion: Opportunities and Challenges

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Presentation

• Introduction: Asian Development Bank (ADB)

• ADB’s Role in Developing Regional Infrastructure
  - Greater Mekong Subregion (GMS) Economic Cooperation Program

• Myanmar in Transition

• Conclusion
Brief Introduction: ADB

- ADB aims for an Asia and Pacific free from poverty. Approximately 1.8 billion people in the region are poor and unable to access essential goods, services, assets and opportunities.

- Established in 1966, with 67 members - of which 48 are from within Asia and the Pacific and 19 outside. Japan and USA are the largest shareholders. 3,042 employees from 59 countries.


- Key operational modalities: sovereign and non-sovereign (private) lending, equity investments, guarantees, co-financing / syndications, grants, technical assistance, policy dialogue, knowledge and capacity development – to both public and private entities.
ADB’s Support for Infrastructure Development (Part 1)

- Infrastructure development as key means for poverty reduction, economic growth, sustainable development, and regional connectivity.

- Key infrastructure sectors are: transport, energy, water.

- Additional support given via private sector operations, technical assistance, co-financing, among others.
ADB’s Support for Infrastructure Development (Part 2)

- Despite efforts by ADB & others, demands are increasing.
- ADB & ADBI (2009) *Infrastructure for a Seamless Asia* identified around $8 trillion in needs over the next decade.
- Private infrastructure investment is limited. During 1990-2008, it was $1,640 billion for the world and $472 billion for Asia-Pacific.
- The PRC and India represent almost 50% of new private investments into the region during 2001-2008.
**ADB’s Support for Infrastructure Development (Part 3)**

- The large infrastructure financing requirements reflect the requirements of the region.
- Quality / quantity is still behind the developed world, and disparity within the region remains.

**Global Comparison in Infrastructure Coverage (2008)**

<table>
<thead>
<tr>
<th>Item</th>
<th>Roads (km)</th>
<th>Rail (km)</th>
<th>Phones (number)</th>
<th>Electrification</th>
<th>Clean Water</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASEAN</td>
<td>10.51</td>
<td>0.27</td>
<td>3.53</td>
<td>71.69</td>
<td>86.39</td>
</tr>
<tr>
<td>Asia</td>
<td>12.83</td>
<td>0.53</td>
<td>3.47</td>
<td>77.71</td>
<td>87.72</td>
</tr>
<tr>
<td>OECD</td>
<td>211.68</td>
<td>5.21</td>
<td>13.87</td>
<td>99.80</td>
<td>99.63</td>
</tr>
<tr>
<td>Latin America</td>
<td>14.32</td>
<td>2.48</td>
<td>6.11</td>
<td>92.70</td>
<td>91.37</td>
</tr>
<tr>
<td>Africa</td>
<td>n.a.</td>
<td>0.95</td>
<td>1.42</td>
<td>28.50</td>
<td>58.36</td>
</tr>
</tbody>
</table>

**Source:** ADB, UNDP, and UNESCAP.2010. *Paths to 2015: MDG Priorities in Asia and the Pacific.*

*With intra-regional trade increasing so quickly, the requirements will increase.*
Recent Initiative: Asian Highway and Trans-Asian Railway (Part 1)

Major region-wide project
- Asia Highway / Trans-Asia Railway: almost 250,000km
- Connecting all major cities, capitals, and commercial areas
- Actively supported by the UNESCAP

ADB has been a major financier of AH: around 20% with $20 billion

An ongoing study with UNESCAP: updated information, prioritization of key projects, identification of possible financing
Recent Initiative: Asian Highway and Trans-Asian Railway (Part 2)

- Progress for AH is much more extensive than the TAR
- AH / TAR need to be adjusted based on future trade / traffic flows
- Importance of ports – an integrated transportation system

- AH / TAR have been supported by member countries with UNESCPA as the Secretariat

- ADB’s study on major issues will be finalized by end 2012.
GMS Program

- Participating Countries: Cambodia, People’s Republic of China, Lao PDR, Myanmar, Thailand, and Viet Nam

- Strategic Priorities:
  - Vision – a more integrated, prosperous, and harmonious subregion
  - “3Cs” – Connectivity, Competitiveness, Community

- GMS Projects:
  $14 billion as of June 2011
GMS: Enhancing “Connectivity, Competitiveness and Community”

Strategic Framework: 2002-2012

**Strategic Thrusts**

- Strengthen infrastructure linkages
- Facilitate cross-border trade, investment & tourism
- Enhance private sector participation & competitiveness
- Develop human resources & skills competencies
- Protect environment & promote sustainable use of shared natural resources

**Action Plan**

- Transport
- Telecommunications
- Energy
- Environment
- Tourism
- Trade
- Investment
- Human Resource Development
- Agriculture

**Goals**

- Accelerated and sustained economic growth
- Reduced poverty & income disparities
- Improved quality of life
- Sustainable management of environment & natural resources

**Vision**

- More Integrated
- Prosperous
- Harmonious
- Subregion

**Goals**

- Accelerated and sustained economic growth
- Reduced poverty & income disparities
- Improved quality of life
- Sustainable management of environment & natural resources

**Vision**

- More Integrated
- Prosperous
- Harmonious
- Subregion
Institutional Structure

**Priority Areas of Cooperation:**
1. Transport
2. Energy
3. Telecommunications
4. Environment
5. Agriculture
6. Tourism
7. Human resource development
8. Trade and transport facilitation
9. Investment
- Roads
- Telecommunications
- Power Transmission Line

GMS Infrastructure in 1992
- Roads
- Telecommunications
- Power Transmission Line

GMS Infrastructure in 2010
GMS Infrastructure in 2015-2020

- Roads
- Telecommunications
- Power Transmission Line
GMS Transport Cooperation

One of earliest sectors of cooperation; ADB-assisted strategy studies – 1st TSS (1994) and 2nd TSS (2006-2015)

GMS Subregional Transport Forum (STF)

Strategic thrusts:

- Early years – 1st TSS
  - Create cross-border access; priority to improvement over new construction
  - Facilitate cross-border traffic; trade

- Current TSS
  - “Towards seamless transport services on a fully connected and integrated GMS network”
  - Focus on:
    - Completing the GMS transport corridors
    - Economic efficiency and reduced transport costs
    - Move toward an open market for transport services
    - Multi-modalism
# ADB-assisted GMS Projects

(1992- December 2011)

<table>
<thead>
<tr>
<th>No. of Projects</th>
<th>Total Cost (US $ millions)</th>
<th>ADB</th>
<th>Government</th>
<th>Cofinancing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>All GMS Projects</strong></td>
<td><strong>15,006.6</strong></td>
<td><strong>5,102.8</strong></td>
<td><strong>4,311.5</strong></td>
<td><strong>5,592.3</strong></td>
</tr>
<tr>
<td><strong>Of Which:</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Transport</strong></td>
<td><strong>11,788.8</strong></td>
<td><strong>4,418.4</strong></td>
<td><strong>4,127.7</strong></td>
<td><strong>3,242.7</strong></td>
</tr>
</tbody>
</table>
GMS Road Network (2010)
GMS Road Network (2015—2020)
Key Outcomes

Southern Transport Corridor: Phnom Penh-Ho Chi Minh City Highway Improvement Project

- Travel time and cost savings
- Bilateral trade up 40%
- Border crossings up 50%
- Special border economic zones creating jobs

East-West Transport Corridor Project

- Travel time and cost savings
- FDI: US$18M to US$200M
- Improved access to schools and safe water
- Poverty down by 35% in Savannakhet
Infrastructure is developed in specific geographical areas based on economic potential.

Usually starts with transport links, but extends to other infrastructure as well as the “software” for their optimal use.

**Characteristics of Economic Corridors:**

- Create links to major markets;
- Extend the benefits of improved transport linkages to remote locations and integrates them with more prosperous areas;
- Open up investment opportunities;
- Promote synergies through the clustering of projects;
- Provide demonstration effects;
- Facilitates prioritization of regional projects and coordination of national projects with regional implications.
The New GMS Strategic Framework

**New GMS SF** endorsed by 4^{th} Summit in December 2011, to ensure GMS Program’s sustainability and effectiveness in the challenging new decade

Continued central role of corridor development

Broadening/deepening of economic corridors -- inter-linkages across sectors, multi-sector approach, ensuring wide spread of benefits, accelerating implementation of TTF measures, logistics development and investments along the corridors, and attention to social and human resource, food and energy security, and climate change concerns

Need for a **regional investment framework (RIF)** -- new generation of cooperative undertakings based on solid analytical work and knowledge platform
Competitiveness and Community: The “Softer” Aspects of Regional Cooperation and Development

• Transport and Trade Facilitation: the GMS Cross- Border Transport Agreement
• Core Environment Program (CEP)
• Promoting GMS as a single tourist destination
• Core Agricultural Support Program
• Building capacity for development management; comprehensive HRD Strategy
Major Challenges

- Transforming the GMS connectivity or transport corridors into genuine economic corridors: institutional/policy reform; private sector engagement
- Exploiting emerging opportunities in a resurgent and dynamic Asia, e.g. linking with PRC and India/South Asia; complementarities with ASEAN
- Addressing global warming and climate change: “low carbon” development path; mitigation and adaptation
- Addressing potential negative effects of increased connectivity: communicable disease control; human trafficking and transnational crime; flood and drought management; biodiversity protection
- Responding to changing demographics and increased urbanization: HRD, labor and migration; urban development
- Increasing mobilization of private investments for the GMS program, including public-private partnerships
- Preparing a new GMS Long Term Strategic Framework to address these and other issues.
Myanmar in Transition: Opportunities and Challenges
Highlights

- Strong potential for growth
- If reforms stay on track:
  - 7%-8% annual growth
  - Myanmar a middle income nation
  - Per capita income triples by 2030
- Multiple constraints and risks
- Need to prioritize actions
Development Strategies

• Strong growth is imperative for poverty alleviation and improved standards of living

• Regional connectivity will measurably enhance growth, benefit people

• Inclusiveness, environmental sustainability crucial to maintaining growth momentum
Key Development Agendas

• Maintain macroeconomic stability
• Mobilize resources for investment
• Improve infrastructure and human capital
• Diversify into industry and services, while improving agriculture
• Reduce the state’s role in production
• Strengthen government institutions
Myanmar poised to accelerate growth

Near-term outlook positive

Selected economic indicators (%)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP Growth</td>
<td>6</td>
<td>6.3</td>
</tr>
<tr>
<td>Inflation</td>
<td>6.2</td>
<td>6.3</td>
</tr>
<tr>
<td>Current Account (% of GDP)</td>
<td>-2.7</td>
<td>-4.4</td>
</tr>
<tr>
<td>Gross Reserves (in months of imports)</td>
<td>9.7</td>
<td>9.9</td>
</tr>
</tbody>
</table>

Source: ADB estimates, IMF Article IV.
# Myanmar Today

<table>
<thead>
<tr>
<th></th>
<th>Cambodia</th>
<th>Myanmar</th>
<th>Viet Nam</th>
</tr>
</thead>
</table>

Sources: ADB Key Indicators 2011; Government of Myanmar; IHLCS 2010; WB World Development Indicators
Growing – but from a low base

- Per capita GDP among lowest in Asia
- Growing by how much?
- Official figures: 12.2%/yr (2000-2010)
- ADB/IMF estimates much lower: 4.7%/yr

Per Capita GDP of Selected ASEAN Countries
($, PPP)

ASEAN = Association of Southeast Asian Nations, GDP = gross domestic product, Lao PDR = Lao People’s Democratic Republic, PPP = purchasing power parity.
Source: Economy Watch 2012.
‘Second Mover’ Advantages

• **The Asian Century**: Asia is the new economic center of the world. Myanmar lies at the center of Asia.

• **Growing ASEAN / Intra-regional Trade & Investment**: Reduced tariffs on intra-regional trade by 2015

• **Risks**:  
  - Inequality can destabilize, undermine growth  
  - Rapid growth can have high environmental costs
Strength: Youthful population to generate a demographic dividend

Age and Sex Distribution in

Source: UNESCAP Online Database 2012
Myanmar has ample gas/oil, forest, water and agricultural resources.
Constraint: Government Revenue

One of the lowest Gov’t revenue/tax collection to GDP ratios in Asia

Revenue and Taxes as percent of GDP
(2010 or latest available)

Sources: ADB 2011b and CSO 2010
Constraint: Myanmar lags in infrastructure
Only one in four has access to electricity

Access to Electricity (% of population)

Lao PDR = Lao People’s Democratic Republic.
Note: The graph plots 2009 data, except for Myanmar, 2011.
Source: WDI-WDI 2012 and data provided by MOEP-1 to the September 2011 ADB Mission.
Constraint: Low education and health attainment

Building human capital is key to Myanmar’s future


Lao PDR = Lao People’s Democratic Republic
Source: For Cambodia, staff estimates using ADB 2011b data; for Lao PDR, Myanmar, and Viet Nam, staff estimates using UNESCAP database 2012.
Opportunity: Strategic time and location

- 2030: People’s Republic of China, India, SE Asia--$32 trillion total consumption; 43% of global total
- 2015: ASEAN economic community
- Myanmar should expedite economic reform process and enhance business and investment climate to maximize benefits of integration.
Opportunity: Agriculture

- Sector currently generates more than half of all employment
- Only 20% crop land currently irrigated
- Big potential for greater crop yields, household income

Increase in Food Crop Area and Production, 1990–2010

<table>
<thead>
<tr>
<th>Crop</th>
<th>1990</th>
<th>1995</th>
<th>Year 2000</th>
<th>2005</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Rice Paddy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Area ('000 ha)</td>
<td>4,760</td>
<td>6,032</td>
<td>6,302</td>
<td>7,384</td>
<td>8,051</td>
</tr>
<tr>
<td>Production ('000 metric tons)</td>
<td>13,971</td>
<td>17,956</td>
<td>21,323</td>
<td>27,683</td>
<td>33,204</td>
</tr>
<tr>
<td>2. Beans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Area ('000 ha)</td>
<td>433</td>
<td>1,104</td>
<td>1,762</td>
<td>2,184</td>
<td>2,745</td>
</tr>
<tr>
<td>Production ('000 metric tons)</td>
<td>263</td>
<td>752</td>
<td>1,285</td>
<td>2,175</td>
<td>3,029</td>
</tr>
<tr>
<td>3. Sesame Seed</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Area ('000 ha)</td>
<td>924</td>
<td>1,131</td>
<td>964</td>
<td>1,337</td>
<td>1,570</td>
</tr>
<tr>
<td>Production ('000 metric tons)</td>
<td>206</td>
<td>304</td>
<td>295</td>
<td>503</td>
<td>722</td>
</tr>
<tr>
<td>4. Vegetables</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Area ('000 ha)</td>
<td>136</td>
<td>167</td>
<td>207</td>
<td>238</td>
<td>277</td>
</tr>
<tr>
<td>Production ('000 metric ton)</td>
<td>163</td>
<td>226</td>
<td>280</td>
<td>336</td>
<td>371</td>
</tr>
</tbody>
</table>

ha = hectare.
Source: Food and Agriculture Organization statistics (FAOSTAT).
### Opportunity: Foreign Investment

**Growing FDI presents opportunity for more diverse economic sectors, job growth**

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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Oil and Gas</td>
<td></td>
<td>229.9</td>
<td>417.2</td>
<td>478.4</td>
<td>743.2</td>
<td>750.0</td>
<td>287.9</td>
<td>2,906.6</td>
</tr>
<tr>
<td>Mining</td>
<td></td>
<td>2.2</td>
<td>2.6</td>
<td>3.2</td>
<td>46.6</td>
<td>200.0</td>
<td>160.3</td>
<td>415.0</td>
</tr>
<tr>
<td>Power</td>
<td></td>
<td>0</td>
<td>0</td>
<td>220.0</td>
<td>170.0</td>
<td>0</td>
<td>0</td>
<td>390.0</td>
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<tr>
<td>Manufacturing</td>
<td></td>
<td>1.1</td>
<td>1.6</td>
<td>13.2</td>
<td>14.2</td>
<td>11.6</td>
<td>1.5</td>
<td>43.2</td>
</tr>
<tr>
<td>Hotel and Tourism</td>
<td></td>
<td>2.7</td>
<td>6.3</td>
<td>0.1</td>
<td>1.0</td>
<td>0</td>
<td>0.3</td>
<td>10.4</td>
</tr>
<tr>
<td>Livestock and Fisheries</td>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.6</td>
<td>1.6</td>
<td>0.2</td>
<td>2.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>235.9</td>
<td>427.7</td>
<td>714.9</td>
<td>975.6</td>
<td>963.3</td>
<td>450.2</td>
<td>3,767.6</td>
</tr>
</tbody>
</table>

FDI = foreign direct investment.

Note: Figures denote actual FDI inflows. Figures may not total exactly due to rounding. Data for FY2010/11 cover April-September 2010 only. No FDI was received in agriculture, construction, industrial estate, real estate, transport, and other services during the period.

Source: Directorate of Investment and Company Administration, Ministry of National Planning and Economic Development, Myanmar (data provided to ADB).
Myanmar’s Strengths & Weaknesses

Strengths

• Abundant natural resources (agriculture, gas, oil, minerals, precious stones)
• Less population pressure on land (Land population ratio is relatively high.)
• Half of arable land area fallow
• Abundant trainable labor force with basic education
• Well connected to major Asian market: ASEAN, China and India
• Strategic location: Geopolitical
• Importance for regional connectivity as the tri-junction of East Asia, Southeast Asia and South Asia
• Benefit of late comer in development: can leapfrog
• Significant foreign exchange reserves

Weakness

• Macroeconomic instability associated with a number of policy inconsistencies and weak institutions
• Low saving and investment rates
• Lack of implementing capacity and governance issue
• Underdeveloped banking and financial system
• High dependence on natural resource extraction and agriculture sector
• Poor infrastructure, institutional and business environment
• High poverty, low HDI, low income and high outmigration rate
• Lack of comprehensive approach and appropriate funding to human capital formation
• Absence of accurate and reliable economic data to provide exact diagnostics of the economy
## Myanmar’s Opportunities & Threats

### Opportunities
- Regional hub for multimodal transportation and potential supply route by passing the Malacca Strait
- Sole land-bridge between two giant economics; China and India
- High potential to be a “food basket” and “energy source” for Asia
- Huge industrial potential for FDI from ASEAN and global supply chains

### Threats
- Resource Curse: lack of balancing economic growth and environmental sustainability
- Danger of Dutch disease
- Social and Spatial inequality
- Increase in corruption
- Political instability and ethnic insurgency
- International pressures and economic sanctions
- Strong influence of China
The Challenges Ahead

- Strengthen institutions and governance systems
- Improve macroeconomic management and introduce structural reforms
- Diversify the economy and develop the agricultural sector
- Foster human capital
- Diversify economic sectors and build an industrial base
- Develop economic infrastructure
Key Messages

If Myanmar implements across-the-board reforms:

- 7-8% annual economic expansion
- Tripling of per capita income by 2030
- Middle class Myanmar

Strong growth will alleviate poverty

- Inclusiveness and environmental sustainability key to sustaining growth momentum
- Regional integration will bring immense benefits
Thank you

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